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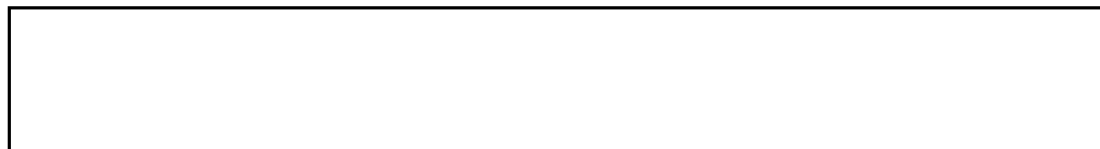
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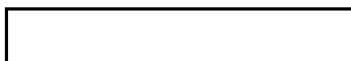
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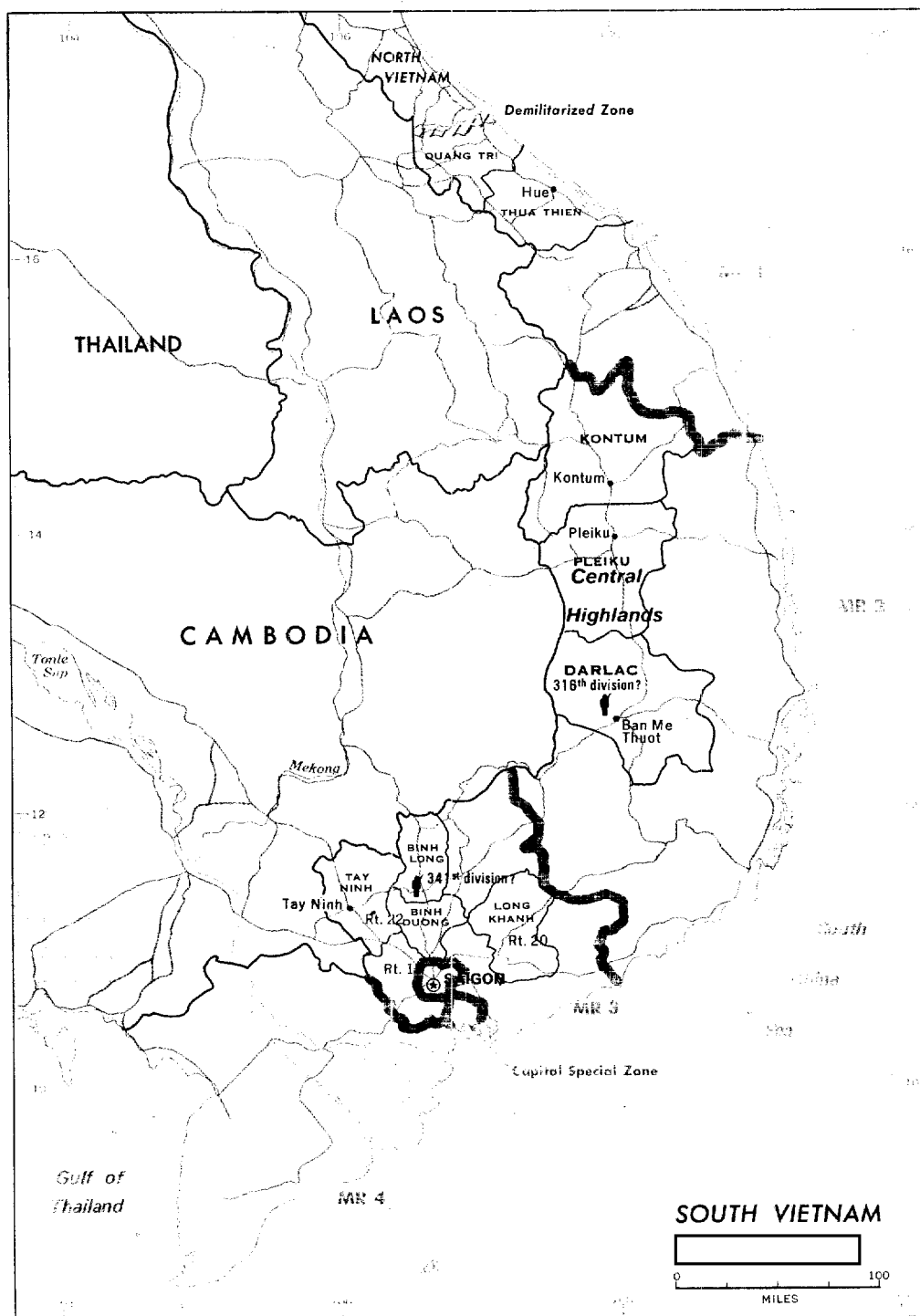
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SOUTH VIETNAM

South Vietnamese President Thieu has decided to make an all-out stand in the highlands at Ban Me Thuot and has ordered the commander of Military Region 2 to withdraw his troops from Kontum and Pleiku provinces, so they can be used in the battle for Ban Me Thuot.

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Government troops have taken up positions on the edge of the town, and reinforcements are moving toward Ban Me Thuot. South Vietnamese military officials in Saigon say several thousand rangers were airlifted to the highlands yesterday. The rangers reportedly were pulled from a government operation north of Saigon, pointing up the difficult choices now confronting Saigon.

Fighting also continues northwest of Saigon. In Tay Ninh Province, the communists have opened a new front along Route 1, which runs between the provincial

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capital and Saigon. Units of the North Vietnamese 5th Division have overrun two government outposts along the highway. These attacks, in conjunction with pressure on South Vietnamese units east of the district, appear designed to isolate Tay Ninh City further. [redacted]

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[redacted] the attacks were supported by tanks and heavy artillery.

The communists may be moving additional combat units into central and southern South Vietnam. [redacted]

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elements of two North Vietnamese reserve divisions--the 316th and the 341st--arrived recently in central and southern South Vietnam.

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Two reserve divisions--one in the highlands and the other in the area north of Saigon--would allow the communists to make substantial gains in both areas. The Defense Intelligence Agency believes that if the 316th and 341st North Vietnamese divisions are in Military Region 2 and 3, respectively, [redacted]

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[redacted] Hanoi has decided on an all-out offensive to defeat the South in 1975.



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In any case, we have indications that other enemy units inside South Vietnam are showing signs of moving into areas that have not recently experienced heavy fighting--a suggestion the communists may hope to open a number of fronts to tie down and stretch thin Saigon's forces.

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In the northern part of the country, the North Vietnamese 325th Division has apparently moved south from Quang Tri to Thua Thien, and it now threatens government positions west and south of Hue. The move enhances communist combat capabilities in this area, especially in view of the pending move to Saigon of the South Vietnamese airborne division.

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CAMBODIA

The US mission in Phnom Penh is receiving numerous requests from Cambodians and foreigners alike for assistance in leaving the country. One reason for mounting foreign nervousness is that, during the last few days, Cambodian civil air flights have been canceled, leaving US flights in and out of Pochentong airport as the only link with the outside world.

French aircraft are scheduled to arrive this weekend to evacuate French nationals in Phnom Penh. The Australians now plan to move their entire embassy staff to Bangkok today. Saigon is attempting to arrange the evacuation of large numbers of ethnic Vietnamese refugees in the Phnom Penh area and is preparing to close the South Vietnamese consulate in the provincial capital of Battambang.

The preliminary US congressional votes on supplemental aid to Cambodia appear to have driven home to the government leadership, perhaps for the first time, the possibility of an early termination of US assistance and outright military defeat. The flow of foreign nationals out of the country and, in particular, the evacuation of members of the relatively large and well-established French community is bound to take a further toll in government morale. In a conversation with Ambassador Dean yesterday, the president of the Cambodian senate expressed his own discouragement over the growing signs of anxiety within diplomatic circles and over what he termed the hasty departure of the foreign community.

Communist fire against Pochentong airport was relatively light yesterday, with no significant damage reported. The Cambodian army clearing operation west of the airport has moved against stiff resistance to within about two miles of the communist artillery and rocket positions around Tuol Leap.

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PORTUGAL

Radicals in the Portuguese Armed Forces Movement are consolidating their gains over disorganized moderates.

At the first meeting of the newly created Revolutionary Council, which has been given both executive and legislative functions, radicals pushed through an order nationalizing all Portuguese banks. Only branches of foreign banks and agricultural credit institutions are excluded. The Council is pondering whether to outlaw the two center-right parties, along with the small, violence-prone parties on the extreme left.

The Revolutionary Council was created on Thursday. It includes 14 officers who had served, along with 7 civilians, on the Council of State. The Council of State and the National Salvation Junta have been abolished. Further changes are expected, including a shuffle of the cabinet. Rumors suggest the moderate Popular Democratic Party may be replaced in the cabinet by the Communist-front Popular Democratic Movement. Rumors have it that Foreign Minister Soares, the Socialist Party leader, will be eased out.

The left has also made gains in the labor movement as a result of the coup attempt on Tuesday. Unions that had previously remained aloof from the Communist-dominated Intersyndical now appear to be moving toward closer alignment with that umbrella labor organization.

Ambassador Carlucci believes that the radicals in the Armed Forces Movement have scored massive, but perhaps not decisive, gains. Prime Minister Goncalves and General Otelo Carvalho, commander of the Lisbon military region, have probably benefited the most. Both are described as very susceptible to Communist influence.

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The ambassador reports that political parties, with the possible exception of the Communist Party, have been severely weakened. The Communist tactic is to establish a close relationship with the Movement and to try to nudge it toward increased acceptance of the Communist's programs. The ambassador notes, however, that the Communists may now be concerned that the Movement may decide it no longer needs their support.

This analysis suggests to the ambassador that the abortive coup has significantly increased the likelihood that Portugal will move toward overt military rule, based on populist and nationalistic policies, with heavy pro-Communist overtones. Such a government would be likely to seek international support in the Third World and de-emphasize Portugal's NATO ties.

The ambassador believes, despite his bleak assessment, that most Portuguese are still basically conservative and that the bulk of the military officers have still not been radicalized. Former president Spinola's departure has left President Costa Gomes without a rival for leadership of the centrist forces, and the latter may be able to begin to recoup some of the losses.

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THAILAND

Thai-US relations have become a political football in the scramble to form a new parliamentary government.

The first man who tried unsuccessfully to head a working coalition, Seni Pramot, declared that his government's policy would require the withdrawal of all US forces from Thailand within 18 months. Seni, leader of the middle-of-the-road Democrat Party and a product of the conservative elite that has ruled Thailand for most of its history, claims this policy statement did not reflect his true feelings but represented a compromise to gain support from the political left.

The assembly has now named Seni's younger brother Khukrit as prime minister - designate. Khukrit hopes to present both a cabinet and a policy statement for approval next week. He says he is prepared to "go one better" than the Democrats and set a 15-month deadline for a US troop withdrawal in an effort to win the vital vote of confidence in the assembly that will make him officially prime minister. Khukrit's probable foreign minister, Chatchai, is already on record in favor of a one-year timetable and the adoption of a neutralist foreign policy.

Paradoxically, the presence of US forces was not a popular campaign issue in the general election last January. Except for some members of the political left, no candidate or party proposed a timetable for the total withdrawal of US forces. Indeed, politicians from the northeast, where the bulk of the US bases are located, have many constituents who want the US forces to remain, primarily for economic reasons.

The inconclusive result of the general election is, in part, responsible for the surfacing of the US troop issue. A delicate balance of forces exists in the assembly, with no one party or faction having close to a majority of the seats. Seni, and now Khukrit, have found that they must yield to the demands of splinter groups if they are to have a chance of winning a vote

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of confidence from the assembly on their proposed government platforms. Once Seni broke the ice on the question of US troop withdrawals, other politicians felt compelled to equal or outdo Seni's stand in order to avoid being labeled a US lackey by the Bangkok press and other pressure groups.

The sudden prominence of the US troop issue, however, is attributable to more than the vagaries of parliamentary politics. It also reflects the skepticism of many Thai officials regarding the value of continuing a close relationship with the US.

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AUSTRALIA

Canberra has imposed new import restrictions during the past week. It contends that these restrictions do not violate international commitments because they were taken to protect domestic employment, rather than to redress balance-of-payments problems.

Australia's economic slowdown--among the most severe of the smaller industrialized countries--has resulted in a sharp increase in unemployment. The unemployment rate reached a seasonally adjusted 4.4 percent of the labor force in February, more than triple the level of last June and the highest rate since the 1930s. Unemployment has been especially severe in industries that compete with imports, such as the textile and auto industries.

The new import restrictions apply to a variety of textile and clothing items, selected steel products, refrigerators, clothes dryers, and washing machines. Plastic products and additional clothing items are under study and could come under restriction in the near future. Earlier in the year, autos, tires, footwear, and certain textile and clothing imports were put under controls.

The measures should result in a significant slowdown in Australia's imports of these items. The quota on autos, for example, will hold arrivals this year to only a third of the fourth-quarter average in 1974. The quota on rolled steel will hold those imports to about one fourth the level in 1974.

The restrictions will impact most heavily on Japan, which accounted for about 20 percent of the growth in Australia's imports last year. The US also will be affected, but to a lesser extent. About 15 percent of Australia's steel products under quota restrictions, for example, come from the US.

A sharp falloff in foreign demand for Australia's exports and a surge in imports have been largely responsible for the country's economic slump. Export volume dropped by an estimated 3 to 5 percent last year. Even

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though Australia does not import much oil, its import bill rose by about 60 percent last year to \$11 billion. As demand fizzled in other world markets, government officials claimed the country became a dumping ground for East Asian textiles and Japanese autos.

The Whitlam government, already in a difficult political position, has been pulling out all stops to stimulate the economy. It devalued the Australian dollar by 12 percent in September, cut income taxes and eased credit constraints in November, and began imposing import controls in January.

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IRAN-IRAQ

The cease-fire between government forces and the Kurds appears to be taking hold.

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Having made the basic decision prior to the Algiers meeting last week that military support of the Kurds had become an unrealistic policy, the Shah turned his efforts in Algiers to securing some Iraqi concessions in return for his promise to cease aiding the Kurds. He got the Iraqi agreement to Iran's formula for defining portions of their southern boundary.

Evidence suggests that the Shah also thought he had Baghdad's agreement to a temporary freeze of the military situation inside Iraq. The US embassy in Tehran believes he probably did not anticipate that Baghdad would immediately launch its postaccord offensive. The embassy

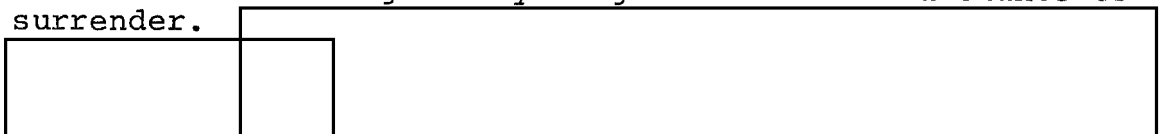
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believes the Shah is embarrassed, but has remained silent because to do otherwise would only acknowledge that he had been tricked by Iraq's Saddam Husayn Tikriti.

Baghdad, meanwhile, has made clear that its agreement to the cease-fire is not a first step to negotiations with Barzani on a political settlement that would eventually lead to Kurdish autonomy. Government statements broadcast by Baghdad radio yesterday said the cease-fire had been arranged only to give the rebels a chance to surrender.

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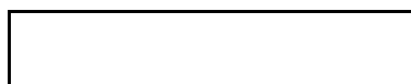


KUWAIT

Kuwait is proceeding with its plans to establish a domestic petrochemical industry, despite current doubts about the future availability of sufficient gas. Kuwait's Petrochemical Industries Company is to oversee the program and select suitable proposals. There are at least two major projects currently under consideration.

For the first project, invitations have been issued to prospective foreign partners to establish a joint venture for the construction of an export-oriented petrochemical complex. The complex, slated for completion in 1977 or 1978, is to include an ethylene plant, which will be wholly owned by the Petrochemical Industries Company, and downstream units in which the joint venture partner will participate.

The second project is a 37,500- to 40,000-barrel-per-day aromatics plant, which will produce chemicals used in plastics and synthetic fibers. The plant is expected to cost about \$150 million; the Kuwaiti company would hold a 51-percent share and its partner the remaining 49 percent. The partner will direct construction and manage the plant for at least five years after it is completed.



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PANAMA-US

General Torrijos is marshaling foreign support for Panama's position as the canal treaty negotiations enter a critical phase. He is concerned both about key negotiating issues such as the duration of a new treaty and about the chances for US ratification if the two sides can agree on a draft.

The Panamanian leader's first attempt this month to mobilize international backing did not fare well. He was unable to persuade Argentina to withdraw its candidacy for the rotating Latin American seat on the UN Security Council in favor of Panama, which would then have had an advantageous place to expound its views in a world forum.

Torrijos is now placing his hope in the meeting with the presidents of Colombia, Costa Rica, and Venezuela that he will host on March 23 and 24. At the suggestion of Venezuelan President Perez, the three chiefs of state already intend to send President Ford personal expressions of support for Panama's case, and Torrijos also expects them to sign a declaration affirming Panama's claim to sovereignty over the canal.

Panamanian officials have said that the campaign for support is being extended to other Latin American countries and to all Third World nations.

Although Torrijos believes that outside support for his treaty stand is useful, the main effort to sell a new pact must be directed to the Panamanians and the US.

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On the other hand, Torrijos is genuinely concerned about the implications of the resolution by 37 US senators reasserting US sovereignty and rights over the canal. He has already started a campaign aimed at showing the US public that a new treaty would benefit both sides.

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CUBA

The coordinating bureau of the so-called nonaligned countries begins a three-day meeting in Havana on March 17. The foreign ministers of the 17 countries represented on the bureau will discuss the establishment of a permanent secretariat, the coordination of activities within the United Nations, and the preparations for the foreign ministers' meeting in Lima in August and the fifth summit conference in Colombo in 1976.

The meeting this week may do as much to underscore nonaligned disunity as unity. Cuba's performance as host, for example, will probably be under close scrutiny in light of Fidel Castro's unabashed support of the USSR at the fourth summit conference in Algiers in September 1973, when the Soviet Union came in for some heavy criticism as a menacing superpower. Algeria, bureau chairman and self-proclaimed leader of the nonaligned, will renew its call for the radical transformation of the world economic system and urge an activist nonaligned role at the seventh special session of the UN General Assembly on raw materials and economic development next September.

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VENEZUELA-MEXICO

Venezuelan President Perez begins a five-day state visit to Mexico on March 17. Oil and Latin American economic integration will dominate Perez' discussions with President Echeverria.

These topics were prominent at the first meeting of the two leaders last summer in Caracas. At that time, the two governments signed cooperation agreements to exchange petroleum and steel technology, and they announced plans to form a regional economic group, known as the Latin American Economic System. In their talks this week, Perez and Echeverria will probably commit themselves to further collaboration in oil and steel and will assess Latin response to their proposed economic organization.

The Latin American Economic System is likely to receive the most attention. Co-sponsored by Mexico and Venezuela, this proposed organization is the latest evidence of the growing desire of the Latin American and Caribbean nations to use their collective weight to persuade the US to be more generous in its policies and to follow up the "new dialogue" with specific actions. Echeverria and Perez will formally announce the organization's creation and invite all Latin American and Caribbean nations to join it. Though not all Latin governments are clear about the organization's intentions, most probably will accept this invitation.

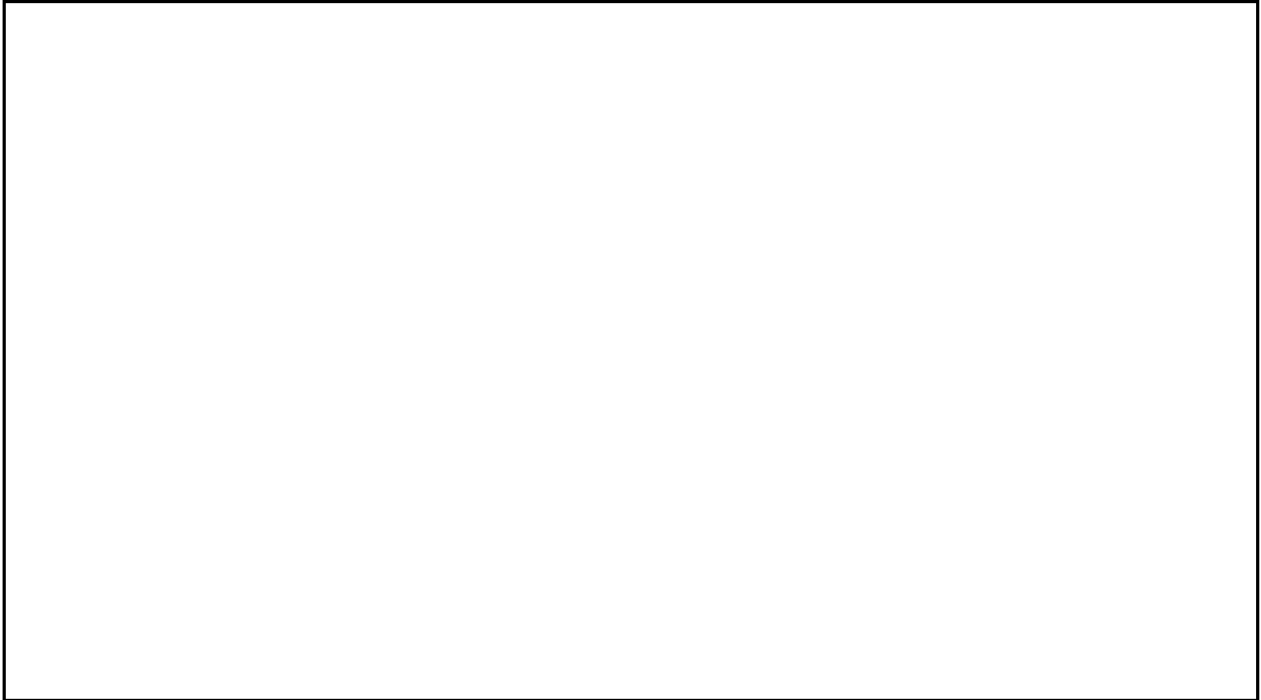
Perez is also likely to reiterate his call for a meeting of Latin American chief executives this year. The purpose of such a conclave would be to consider ways to accelerate regional economic integration, as well as to give Perez another stage from which to assert leadership in Latin America.

On the surface, the two presidents demonstrate remarkable unanimity of purpose, but a budding rivalry for influence in the hemisphere is also apparent. Both are pursuing similar activist foreign policies and are

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ving to be Third World spokesmen. On the other hand, both are committed to achieving regional unity in economic affairs and seem willing to work jointly toward that goal.



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USSR

The Soviet Union is preparing for long-range missile tests to the South Pacific. Moscow announced yesterday that an area about 1,700 miles south of Hawaii would be dangerous for ships and aircraft for two weeks beginning March 17.

Two Soviet missile range instrumentation ships, which left port in late February, are now located in the area, about 7,800 nautical miles from the Tyuratam missile test center. No Soviet re-entry vehicles have yet been tested to this distance. However, a closure at the same location was announced in May 1968 for the re-entry of a spent missile section when a fractional orbital bombardment system was tested.

The use of only two instrumentation ships probably indicates the Soviets will test a single re-entry vehicle, but it is not known which missile system will be tested. The SS-9 Mod 1 and Mod 3 are the only unmodified systems estimated to have this range from Tyuratam. The SS-18 ICBM, with a reduced payload, could be another possibility. The launch of a deployed ICBM from a Far Eastern facility cannot be ruled out, however, nor can an operational test of the SS-N-8 submarine-launched ballistic missile from areas in the North Pacific or the Sea of Japan.

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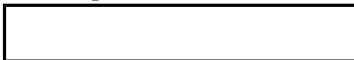
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